



# 2021 Annual General Meeting Notice

**Carbon Revolution Limited**

ABN: 96 128 274 653

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## Important notes regarding participation in the meeting

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The 2021 Annual General Meeting of Carbon Revolution Limited (**Company**) is to be held at 10:00 am (AEDT) on Friday, 29 October 2021.

Given the continuing potential health risks and restrictions arising from the coronavirus (COVID-19) pandemic, the Company's Annual General Meeting will be held virtually. There will not be a physical meeting where shareholders can attend, but shareholders can participate in the meeting online via <https://agmlive.link/CBR21>.

The online platform will allow shareholders to view the Annual General Meeting, ask questions, and vote on resolutions. Details on how to participate in the virtual meeting will be published on the Company's website, the Link Market Services (Share Registry) website and the ASX website.

Even if you plan to attend the Annual General Meeting online, we encourage you to submit a directed proxy vote as early as possible so that your vote will be counted if, for any reason, you cannot attend (for example, if there is an issue with your internet connection on the day of the Annual General Meeting that prevents you from attending online).

Shareholders may appoint their proxy by lodging their proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by 10:00 am (AEDT) on Wednesday, 27 October 2021. Further information about proxy and the proxy form, can be found in sections 5 and 6 of the notes relating to voting.

Shareholders may also submit questions in advance of the meeting at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by no later than 5:00 pm (AEDT) on Friday, 22 October 2021.

In the event that it is necessary for the Company to give further updates, information will be provided on the Company's website and lodged with the ASX.

We thank you for your ongoing support in this challenging time.

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## Notice of Annual General Meeting

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Notice is given that the 2021 Annual General Meeting of Carbon Revolution Limited (**Carbon Revolution** or the **Company**) will be held as a virtual meeting at <https://agmlive.link/GBR21> on Friday, 29 October 2021 at 10:00 am (AEDT). Online registration will commence at 9:00 am (AEDT).

## Items of business

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### 1 Financial Report, Directors' Report and Auditor's Report

To receive and consider the financial report, directors' report and auditor's report for the Company and its controlled entities for the year ended 30 June 2021.

### 2 Re-election of Directors

To consider and, if thought fit, pass each of the following resolutions as an **ordinary resolution**:

2.1 "That Dale McKee, being eligible, be re-elected as a Director of the Company."

2.2 "That Mark Bernhard, being eligible, be re-elected as a Director of the Company."

### 3 Remuneration Report

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report for the year ended 30 June 2021 be adopted."*

*Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution (see section 4 of the notes relating to voting).*

### 4 Grant of Rights to Chief Executive Officer pursuant to FY21 STI Plan

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That approval is given for all purposes for the issue of STI rights to the Managing Director and Chief Executive Officer (CEO) under the FY21 STI Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."*

*Note: A voting exclusion statement applies to this resolution (see section 4 of the notes relating to voting).*

### 5 Grant of Options to Chief Executive Officer pursuant to FY22 LTI Plan

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That approval is given for all purposes for the issue of LTI options to the Managing Director and Chief Executive Officer (CEO) under the FY22 LTI Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."*

*Note: A voting exclusion statement applies to this resolution (see section 4 of the notes relating to voting).*

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## 6 Ratification of issue of the Placement Shares

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*“That for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the issue of 25,977,466 fully paid ordinary shares in the Company that occurred on 5 May 2021, on the terms set out in the Explanatory Notes to this Notice of Meeting.”*

*Note: A voting exclusion statement applies to this resolution (see section 4 of the notes relating to voting).*

## 7 Renewal of Proportional Takeover Bids provision

To consider and, if thought fit, pass the following resolution as a **special resolution**:

*“That the proportional takeover provisions contained in Rule 6 of the Company’s Constitution be renewed for a period of three years with effect from the date of the Annual General Meeting.”*

**The notes relating to voting and the Explanatory Memorandum form part of this Notice of Meeting.**

By Order of the Board

**David Nock**

**General Counsel, Company Secretary**

**27 September 2021**

## Notes relating to voting

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### 1 Entitlement to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares in the Company as at 7:00pm (AEDT) on Wednesday, 27 October 2021 will be entitled to attend and vote at the Annual General Meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

If more than one joint holder of shares is present at the Annual General Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

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All items of business set out in the Notice of Meeting will be decided by way of a poll. On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

## 2 Attending the AGM and live voting online

The Meeting will be made accessible to shareholders via an online platform which will include the facility for shareholders to submit or ask questions in relation to the business of the meeting, to hear the discussion and to vote in real time at the meeting.

Shareholders can watch and participate in the Annual General Meeting virtually via computer or a mobile device by entering the following URL in your browser <https://agmlive.link/GBR21>. The Meeting will be viewable from desktops, laptops, tablets and mobile devices.

To participate and vote online you will need your shareholder number and postcode. Proxy holders will need their proxy number which will be provided by Link Market Services no later than 24 hours prior to the meeting and following lodgement of the proxy appointment. Online participants should register at least 15 minutes before the AGM.

You will be able to live vote during the meeting when invited by the Chair. You will be able to vote for, against or abstain on each item through the online platform.

Further information about how to attend online and the terms and conditions of online participation can be found in the online guide which will be available on the Company's website.

## 3 Technical difficulties

Technical difficulties may arise during the course of the Annual General Meeting. The Chair has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where he considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by no later than 10:00 am (AEDT) on Wednesday, 27 October 2021 even if they plan to attend the Meeting online.

## 4 Voting exclusions

### Resolution 3

The Company will disregard any votes cast on resolution 3:

- by or on behalf of a member of the Company's key management personnel (**KMP**) whose remuneration details are included in the Company's Remuneration Report for the year ended 30 June 2021 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 3:

- in accordance with a direction in the proxy form; or
- by the Chair of the meeting pursuant to an express authorisation to exercise the proxy even though resolution 3 is connected with the remuneration of the KMP.

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## **Resolution 4**

The Company will disregard any votes on resolution 4:

- cast in favour of the resolution by or on behalf of the CEO (being the only Director entitled to participate in the FY21 STI Plan) and any of his associates, regardless of the capacity in which the vote is cast; or
- cast as proxy by a person who is a member of the KMP on the date of the Annual General Meeting or their closely related parties,

unless the vote is cast on resolution 4:

- as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way; or
- by the Chair of the Annual General Meeting as proxy for a person entitled to vote on the resolution, in accordance with an express authorisation to exercise undirected proxies as the Chair decides; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## **Resolution 5**

The Company will disregard any votes on resolution 5:

- cast in favour of the resolution by or on behalf of the CEO (being the only Director entitled to participate in the FY22 LTI Plan) and any of his associates, regardless of the capacity in which the vote is cast; or
- cast as proxy by a person who is a member of the KMP on the date of the Annual General Meeting or their closely related parties,

unless the vote is cast on resolution 5:

- as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way; or
- by the Chair of the Annual General Meeting as proxy for a person entitled to vote on the resolution, in accordance with an express authorisation to exercise undirected proxies as the Chair decides; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## Resolution 6

The Company will disregard any votes cast in favour of resolution 6 by and on behalf of:

- any person who participated in the Placement; or
- an associate of those persons,

unless the vote is cast in favour of resolution 6:

- as proxy or attorney for a person entitled to vote on the resolution in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- by the Chair of the Annual General Meeting as proxy or attorney for a person entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 5 Proxies

- (a) A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. A shareholder can appoint a proxy by completing and returning a signed proxy form (see section 6 of these notes relating to voting, and the proxy form).
- (b) A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.
- (c) If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:
  - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
  - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.
- (d) If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.
- (e) Unless the Chair of the meeting is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on resolutions 3, 4, and 5 unless you direct them how to vote. If you intend to appoint any of those persons as your proxy, you should ensure that you direct that person how to vote on resolutions 3, 4, and 5.

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- (f) If you intend to appoint the Chair of the meeting as your proxy, you can direct the Chair how to vote by marking the boxes for the relevant resolution (for example, if you wish to vote “for”, “against” or to “abstain” from voting). However, if you do not mark a box next to resolutions 3, 4, and 5 then by signing and submitting the proxy form, you will be expressly authorising the Chair to vote as he see fit in respect of resolutions 3, 4, and 5 even though it is connected with the remuneration of the Company’s KMP.
- (g) All resolutions will be decided by poll. On a poll, if:
- a shareholder has appointed a proxy (other than the Chair of the meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
  - that shareholder’s proxy is either not recorded as attending the meeting or does not vote on the resolution,
- the Chair of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.
- (h) Please note that for proxies without voting instructions that are exercisable by the Chair of the meeting, the Chair intends to vote all available proxies in favour of each resolution.

## 6 Proxy form

If you would like to appoint a proxy, the proxy form must be lodged no later than 10:00 am (AEDT) on Wednesday, 27 October 2021 in one of the following ways:

Online	<a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>
Mail	Link Market Services <b>Carbon Revolution Limited</b> <b>C/- Link Market Services Limited, Locked Bag A14</b> <b>Sydney South NSW 1235, Australia</b>
Facsimile	(within Australia) <b>02 9287 0309</b> (outside Australia) <b>+61 2 9287 0309</b>
By Hand	delivering it to Link Market Services Limited* Level 12, 680 George Street, Sydney NSW 2000 <small>* During business hours (Monday to Friday, 9:00am–5:00pm) and subject to public health orders and restrictions</small>

## 7 Corporate representatives

A body corporate that is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative must ensure that the Company has received evidence of his or her appointment, including any authority under which it has been signed in advance of the Annual General Meeting, unless it has previously been given to the Company.

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## **8 Voting by attorney**

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the Annual General Meeting. An attorney may but need not be a member of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

## **9 Questions for the Company**

Shareholders may submit written questions to the Company before the meeting at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by no later than 5:00 pm (AEDT) on Friday, 22 October 2021. The Chair will endeavour to address as many of the more frequently raised relevant questions as possible. However, there may not be sufficient time available at the meeting to address all of the questions raised. Please note that individual responses will not be sent to any shareholder.

## **10 Questions for the auditor**

Shareholders may submit written questions to the Company's auditor, Deloitte Touche Tohmatsu, regarding the content of the auditor's report for the year ended 30 June 2021 or the conduct of its audit of the annual financial report for the year ended 30 June 2021.

Written questions must be received by the Company by no later than 5:00 pm (AEDT) on Friday, 22 October 2021. Please send any written questions to:

Company Secretary  
Carbon Revolution Limited  
Email: [investors@carbonrev.com](mailto:investors@carbonrev.com)

The Company will inform shareholders attending the meeting of the list of questions directed to the auditor that were received in writing and are questions relevant to the auditor's report or the conduct of the audit of the financial report for the year ended 30 June 2021. If written answers are tabled at the meeting, they will be lodged with the ASX as soon as practicable after the meeting. The auditor is not required to provide individual responses to shareholders.



# Explanatory Memorandum

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This Explanatory Memorandum has been prepared to help shareholders understand the items of business at the forthcoming Annual General Meeting.

## 1 Financial Report

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The Corporations Act requires the annual financial report of the Company for the year ended 30 June 2021 (which includes the financial statements, notes to the financial statements and Directors' declaration), and Directors' report and the auditor's report to be laid before the Annual General Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports. However, shareholders will be given an opportunity to raise questions or comments on the management of the Company.

A reasonable opportunity will also be given to shareholders as a whole at the meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders can access a copy of the annual report on the Company's website at [www.carbonrev.com](http://www.carbonrev.com).

## 2 Re-election of Directors

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In accordance with Rule 8.1(d), Dale McKee and Mark Bernhard retire by rotation and being eligible, offer themselves for re-election.

### 2.1 Re-election of Dale McKee

Dale McKee is an Independent, Non-Executive Director, and is the Chair of the Audit and Risk Committee since the Company's listing in November 2019. Dale joined the Board of Carbon Revolution Limited on 27 September 2018.

Prior to joining the Board, Dale was a senior partner at PwC with extensive experience serving listed companies in audit, accounting, corporate governance, risk management and capital markets matters. Dale also has significant experience serving the Australian automotive sector most particularly as auditor of Ford Australia.

Dale was a former member of the Australian Auditing Standards Board.

Dale holds a Bachelor of Business from Federation University and is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand.

As seen in the profile above, Dale brings broad and extensive experience to the Board particularly in areas of listed companies governance. Dale's contributions are invaluable and enhance the effectiveness of the Board. For these reasons, the Directors unanimously support the re-election of Dale as a director.

### Recommendation

The Board (with Dale McKee abstaining) recommends that shareholders vote **in favour** of this resolution.

## Explanatory Memorandum

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### 2.2 Re-election of Mark Bernhard

Mark is an Independent, Non-Executive Director, and is a member of both the Audit and Risk Committee and the Remuneration and Nomination Committee. Mark joined the Board of Carbon Revolution Limited on 3 June 2019.

Mark has significant board and executive management experience in the automotive industry, having served as Chairman and Managing Director of General-Motors (GM) Holden Australia from 2015 to 2018, and Chief Financial Officer and Vice-President of Shanghai-GM from 2011 to 2015.

Mark is a non-executive director of a not-for-profit, Healthy Male, since August 2020 and chairs their Audit and Risk Committee.

Mark studied Transformational Management at Stanford University, holds an MBA from Deakin University and a Business/Accounting degree from Monash University. In addition, he is a graduate of the Australian Institute of Company Directors.

Mark brings knowledgeable insights about the automotive industry and specific skills relevant to the Company's business. Mark's contribution is critical to the Board and Management. Accordingly, the Directors unanimously support the re-election of Mark as a director.

#### Recommendation

The Board (with Mark Bernhard abstaining) recommends that shareholders vote **in favour** of this resolution.

## 3 Remuneration Report

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Shareholders will have a reasonable opportunity at the meeting to ask questions about or make comments on the Remuneration Report. The Remuneration Report at section 3.4 of the Company's 2021 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for the Company's KMP during the year ended 30 June 2021.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the meeting into account in setting remuneration policy for future years.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

#### Recommendation

The Board recommends that shareholders vote **in favour** of the adoption of the Remuneration Report.

## Explanatory Memorandum

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### 4 Grant of Rights to Chief Executive Officer pursuant to FY21 STI Plan

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The Company is seeking the approval of shareholders for the grant of STI rights to the CEO in relation to his FY21 short term incentive (**STI**) award (**STI Rights**).

The Company's Prospectus dated 8 November 2019 contained a summary of the STI awards intended to be granted by the Company to the CEO and other executives in respect of FY19 and future periods.

Shareholder approval is being sought because the Board has decided (at the Board meeting on 18 August 2021) to deliver the CEO's FY21 STI award entirely in equity (as opposed to 50% in cash and 50% in equity which was the intention disclosed in the Prospectus).

Providing shareholder approval is obtained, 50% of the CEO's STI award will be delivered in STI rights with a vesting period (and continuous service condition) of 12 months in accordance with the original STI Plan disclosed in the Prospectus. The remaining 50% (which would have been delivered in cash) will also be delivered in STI rights which will immediately vest following grant.

#### Summary of material terms of the STI Rights Plan

<b>Grant Date of Rights</b>	The STI Rights will be granted within one month of the AGM, or in any event within 12 months from the date of the AGM.
<b>What is an STI Right</b>	<p>An STI Right is an entitlement to receive one fully-paid ordinary share in the Company.</p> <p>STI Rights will be granted at no cost to the participant and no amount is payable on vesting. Participants do not have dividend or voting rights with respect to STI Rights until they are exercised.</p> <p>Following vesting and exercise, shares acquired by participants will rank equally (in relation to dividend and other rights) with other fully paid ordinary shares.</p> <p>STI Rights are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy).</p> <p>Participants are prohibited from entering into an arrangement under which they "hedge" or alter the economic benefit that they may derive in respect of the STI Rights.</p>
<b>Vesting of Rights</b>	50% of STI Rights will immediately vest following grant. The remaining 50% of STI Rights will vest 12 months following the Grant Date, subject to continued employment with the Company.
<b>Allocation Date of Shares</b>	Shares will be allocated as soon as practicable following exercise of vested Rights.
<b>Performance Conditions</b>	<p>There are no performance conditions in relation to the STI Rights as the number of rights granted has been determined by the Board based on achievement of financial and non-financial targets for FY21, as detailed in the Remuneration Report.</p> <p>There is a continuous service condition of 12 months in relation to 50% of the STI Rights.</p>

## Explanatory Memorandum

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<b>Exercise of Rights</b>	<p>Vested STI Rights may be exercised by the participant within the exercise period.</p> <p>The exercise period is the period commencing when STI Rights vest (at the Grant Date for 50% of STI Rights and 12 months following the Grant Date grant for the remaining 50% of STI Rights, subject to continued employment) and ending on the Expiry Date.</p> <p>The Expiry Date is the 10-year anniversary of the Grant Date.</p> <p>There will be nominated exercise windows during the year which sit within trading windows in accordance with the Securities Dealing Policy.</p>
<b>Number of STI Rights</b>	<p>The number of STI Rights to be granted to Mr Dingle has been calculated as follows.</p> <p>Mr Dingle's fixed annual remuneration in FY21 was \$500,000 (FAR) inclusive of superannuation and his maximum STI opportunity was 60% of FAR.</p> <p>The STI payout ratio determined by the Board for FY21 was 40% (of the maximum 60% opportunity, therefore 24% of FAR), as detailed in the Remuneration Report.</p> <p>The Allocation Price to be used is the volume weighted average price (<b>VWAP</b>) of a Share over the 20 trading days following the announcement of the Company's FY21 full-year results.</p> <p>The 20-day period commenced on 24 August and concluded on 20 September and the Allocation Price is \$1.1847</p> <p>Therefore, the number of STI Rights proposed to be granted to the CEO is:</p> $(500,000 \times 60\% \times 40\%) / \$1.1847 = 101,290 \text{ (rounded down to the nearest even number)}$
<b>Cessation of Employment</b>	<p>Subject to the Board's discretion, if the participant ceases employment prior to STI Rights vesting by reason of termination for cause or by resignation, all unvested Rights will automatically lapse.</p> <p>If Rights do not lapse upon cessation, unvested Rights will generally continue "on-foot" to vest in the ordinary course. Vested Rights must then be exercised within ninety (90) days of vesting (or the Rights will lapse).</p>
<b>Clawback</b>	<p>Under the Plan, the Board has broad clawback powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.</p>
<b>Change of control</b>	<p>Subject to the Board's discretion to determine otherwise, all STI Rights will vest (if applicable) and automatically convert to Shares on a change of control (as defined in the Plan Rules).</p>

### Additional information required by the ASX listing rules

- (a) Mr Dingle falls under Listing Rule 10.14.1 because he is a director of the entity.
- (b) ASX Listing Rule 10.14 requires the Company to obtain shareholder approval for the issue of securities to a Director under an employee incentive scheme.
- (c) Mr Dingle is the only director entitled to receive STI Rights.
- (d) Details of Mr Dingle's remuneration for FY22 is as follows:

## Explanatory Memorandum

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Fixed Annual remuneration (including superannuation) (FAR)	\$510,000 (inclusive of superannuation)
Short term incentive	75% of FAR at maximum 50% of FAR at target
Long term incentive	75% of FAR at maximum

- (e) The total value attributed to the 101,290 securities is approximately \$120,000. This is the value of Mr Dingle's STI award for FY21 as determined by the Board. The value uses the VWAP of a Share over the 20 trading days following the announcement of the Company's FY21 full-year results, namely \$1.1847. This value will change between the VWAP calculation period and the date of the grant.
- (f) Carbon Revolution uses STI rights because they enhance the alignment between employees and other shareholders, which is a key principle of Carbon Revolution's remuneration framework. Further, the proposed expanded use of STI rights in FY22 is a cash management measure.
- (g) Mr Dingle had received 67,097 STI Rights under the FY20 STI Rights Plan. Those Rights were issued at no cost.
- (h) If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr Dingle.
- (i) There is no loan in relation to the STI Rights or shares under the STI Plan.
- (j) Details of any STI Rights issued under the STI Plan will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the STI Plan after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under that rule.

### Recommendation

The Board (with Mr Dingle abstaining) recommend that shareholders vote **in favour** of this resolution.

## 5 Grant of Rights to Chief Executive Officer pursuant to FY22 LTI Plan

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The Company is seeking the approval of shareholders for the grant of options to the CEO under the FY22 LTI Offer (**FY22 Options**). The FY22 Options will represent the at-risk, long-term equity component of the CEO's total remuneration opportunity for FY22.

Shareholders are asked to approve the grant of 1,210,826 FY22 Options to the CEO, on the terms and conditions set out on the next page.

# Explanatory Memorandum

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## Background

The Board proposes to grant the FY22 Options to further align the CEO's reward with long-term shareholder returns, and to encourage decisions aimed at accelerating the growth of the Company, and focussing on creating sustainable results over the long term.

The grant of FY22 Options, recommended by the Board for shareholder approval, follows a strategic review of the Company's LTI Plan which is detailed in the 2021 Remuneration Report.

The Board decided to grant Options to the CEO at its meeting of 22 September 2021. The Board believes that options rather than Rights (which do not have an exercise price) places additional focus on share price growth. In making this decision, the Board:

- (a) determined that Options would best align the CEO's interests with those of shareholders through the growth phase expected over the performance period;
- (b) aligned the terms of the FY22 Options with the objectives of the LTI plan, to appropriately incentivise the CEO to deliver challenging but realistic performance outcomes which would be expected to lead to long-term shareholder value; and
- (c) set an exercise price of \$1.60 per FY22 Option (**Exercise Price**). The Exercise Price is equal to the issue price of the capital raising which took place in April/May of 2021, and is 35% above the volume-weighted average price (**VWAP**) of a share in the Company for the 20-day period following the release of the Company's results on 24 August 2021.

## Summary of material terms of the FY22 Options Plan

<b>What is an FY22 Option</b>	<p>Each FY22 Option granted to the CEO entitles him, on vesting and subsequent exercise by payment of the Exercise Price, to be allocated one share in the capital of the Company (<b>Share</b>), subject to any adjustments permitted by the ASX and its Listing Rules. The FY22 Options will be granted at no cost and each Option will have an Exercise Price of \$1.60.</p> <p>Participants do not have dividend or voting rights with respect to FY22 Options until they are exercised.</p> <p>Following vesting and exercise, shares acquired by participants will rank equally (in relation to dividend and other rights) with other fully paid ordinary shares.</p> <p>FY22 Options are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy).</p> <p>Participants are prohibited from entering into an arrangement under which they "hedge" or alter the economic benefit that they may derive in respect of the FY22 Options.</p>
<b>Performance Period</b>	<p>The Performance Period is 3 years commencing on 21 September 2021 and concluding on 20 September 2024.</p>
<b>Grant Date of FY22 Options</b>	<p>The FY22 Options will be granted to the CEO within one month following the AGM in October 2021, or in any event within 12 months from the AGM.</p>

## Explanatory Memorandum

<p><b>Vesting of FY22 Options</b></p>	<p>Subject to (i) continued employment with the Company at 20 September 2024 (<b>Testing Date</b>), (ii) the price for Shares being at or above \$1.60 at the Testing Date, and (iii) satisfaction of the performance conditions at or above the threshold targets, FY22 Options will vest shortly after the Testing Date.</p>
<p><b>Performance Conditions</b></p>	<p>Subject to the CEO's continued employment, the level of vesting of the FY22 Options will be determined by two equally weighted performance conditions:</p> <p>1. Relative Total Shareholder Return (rTSR) – 50% weighting</p> <p>Ranking TSR performance of Carbon Revolution against the TSR of ASX300 comparator group companies defined at the start of the performance period. The following vesting schedule would apply:</p> <p style="padding-left: 40px;">Below Target = 0% vesting</p> <p style="padding-left: 40px;">Target: Median (p50) performance = 50% vesting</p> <p style="padding-left: 40px;">Stretch: 75th percentile = 100% vesting</p> <p style="padding-left: 40px;">Straight line vesting between 50% and 100% for TSR performance achieved between Target and Stretch</p> <p>In order to smooth out the impact of short-term share price fluctuations, averaging periods will be used to determine the start and end share prices when calculating the TSR. The start Share price will be based on the VWAP for the 90 days up to (but not including) the first day of the Performance Period. The end Share price will be based on the VWAP for the 90 days up to and including the final day of the Performance Period.</p> <p>The Board may adjust the comparator group to take into account events, including but not limited to takeovers, mergers or de-mergers that might occur during the performance period.</p> <p>2. Strategic Objectives – 50% weighting</p> <p>The investment in Phase 1 of the Megaline represents the single biggest operational investment in the Company's history and is a critical part of our growth strategy. This investment will extend across the 3-year performance period. The Board believe the successful implementation of the industrialisation program will improve shareholder returns over the long term and have therefore aligned the FY22 Options with this strategic investment. In assessing this performance condition and any vesting at the end of the performance period, the Board will review the following strategic goals:</p> <ul style="list-style-type: none"> <li>• Delivery of the Mega-line Phase 1 project safely, within budgeted costs and timeframes, and delivering expected capacity, hours per wheel and quality targets</li> <li>• Bringing the four wheel programs that underpin the Phase 1 investment to production within the target timeframes</li> <li>• Business development goals that secure further programs and future revenue growth</li> </ul> <p>The Board is cognisant that COVID-19 has led to volatility in the market, and has impacted automotive supply chains globally, and these impacts may continue. Vesting of the FY22 Options will be monitored to ensure that the outcome for the CEO is well-aligned with shareholders' interests. The Board also retains the ability in exceptional circumstances and subject to the requirements of the ASX Listing Rules, to adjust the vesting schedule, including the Performance Conditions to ensure no material advantage nor disadvantage to the CEO. In the event of any use of the discretion, the Board will ensure clear disclosure is made in the relevant Remuneration Report.</p>

## Explanatory Memorandum

<b>Exercise of FY22 Options</b>	<p>Vested FY22 Options may be exercised within the exercise period and subject to Board discretion Options can be exercised via a cashless exercise mechanism.</p> <p>The exercise period is the period commencing when the FY22 Options vest (the <b>Vesting Date</b>) and ending on the Expiry Date.</p> <p>The Expiry Date is the 2-year anniversary of the Vesting Date.</p> <p>There will be nominated exercise windows during each financial year which sit within trading windows in accordance with the Securities Dealing Policy.</p>
<b>Allocation Date of Shares</b>	<p>Shares will be allocated as soon as practicable following exercise of vested FY22 Options.</p>
<b>Number of FY22 Options</b>	<p>The number of FY22 Options to be granted is calculated as follows:</p> <p>Mr Dingle's fixed annual remuneration in FY22 is \$510,000 (FAR) inclusive of superannuation <i>multiplied</i> by his maximum LTI opportunity being 75% of FAR <i>divided by</i></p> <p>the value of one FY22 Option as valued by an independent external consultant using a binomial tree methodology as at 20 September 2021 (<b>Preliminary Allocation Price</b>). The starting Share price input for the valuation was the VWAP of a Share over the 20 trading days following the announcement of the Company's FY21 full-year results.</p> <p>The 20-day VWAP calculation period commenced on 24 August and concluded on 20 September. The Preliminary Allocation Price has been calculated as \$0.2124.</p> <p>The Board (other than Mr Dingle) reviewed the appropriateness of the outcome of the above calculation of the number of FY22 Options to be granted to Mr Dingle. A premium of approximately 50% was applied by the Board to the Preliminary Allocation Price determined above, resulting in a final Allocation Price of \$0.3159 and a reduction in the number of options granted to the CEO of 590,021 options.</p> <p>Therefore, the number of FY22 Options proposed to be granted to the CEO is:</p> <p>1,210,826 options</p>
<b>Cessation of employment</b>	<p>Unless the Board determines otherwise, if Mr Dingle ceases employment:</p> <ul style="list-style-type: none"> <li>• through resignation or termination for cause prior to his FY22 Options vesting, the FY22 Options will lapse on the date of cessation;</li> <li>• in circumstances other than resignation or termination for cause prior to his FY22 Options vesting, for example, in circumstances such as death, total and permanent disablement, redundancy or mutual separation, then a pro-rata number of FY22 Options (based on time served in the performance period) will remain on foot and subject to the performance conditions being met; or</li> <li>• prior to exercising any vested FY22 Options, the vested FY22 Options must be exercised within ninety (90) days following the date employment ceased. Any vested FY22 Options which are not exercised by the end of this period will lapse.</li> </ul>
<b>Clawback</b>	<p>The Board has broad clawback powers if, for example, Mr Dingle has acted fraudulently or dishonestly or there is a material financial misstatement.</p>



## Explanatory Memorandum

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<b>Change of control</b>	In the event of a change of control, or where the Board determines a change of control is likely to occur, the Board may exercise discretion to determine an appropriate treatment for the FY22 Options, subject to compliance with the LTI Plan Rules, applicable law and the ASX Listing Rules.
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### Additional information required by the ASX Listing Rules

- (a) Mr Dingle falls under Listing Rule 10.14.1 because he is a director of the entity.
- (b) ASX Listing Rule 10.14 requires the Company to obtain shareholder approval for the issue of securities to a Director under an employee incentive scheme.
- (c) Mr Dingle is the only director entitled to receive FY22 Options.
- (d) Details of Mr Dingle's remuneration for FY22 are as follows:

Fixed Annual remuneration (including superannuation) (FAR)	\$510,000 (inclusive of superannuation)
Short term incentive	75% of FAR at maximum 50% of FAR at target
Long term incentive	75% of FAR at maximum

- (e) The total value attributed to the 1,210,826 FY22 Options is \$382,500. This is the value of Mr Dingle's FY22 Options as determined by the Board. This represents 75% of the CEO's total fixed remuneration opportunity for FY22. The value of the FY22 Options on exercise will depend on the price of Shares on the date on which the FY22 Options are exercised.
- (f) Carbon Revolution uses Options because they enhance the alignment between the interests of the CEO and the Company's shareholders, which is a key principle of Carbon Revolution's remuneration framework.
- (g) Mr Dingle did not receive Options in respect of the FY21 LTI Offer.
- (h) If shareholder approval is not obtained, the Board will consider alternative arrangements to incentivise Mr Dingle.
- (i) There is no loan in relation to the FY22 Options.
- (j) Details of any FY22 Options issued to the CEO will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the LTI Plan after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under that rule.

### Recommendation

The Board (with Mr Dingle abstaining) recommend that shareholders vote **in favour** of this resolution.

### 6 Ratification of issue of the Placement Shares

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On 5 May 2021, the Company announced it had raised \$41.6 million through an underwritten institutional placement (**Placement**). On 5 May 2021, the Company issued 25,977,466 fully paid ordinary shares in the Company at a price of \$1.60 per share (**Placement Shares**).

The proceeds from the Placement are being primarily used to fund the construction of Phase 1 of the Mega-line, which once complete, would enable the Company to produce an additional capacity of circa 75,000 wheels per annum. Further details about the equity raise are contained in the materials lodged with the ASX on 23 April 2021.

The Company issued the Placement Shares without prior shareholder approval pursuant to its 15% annual placement capacity under Listing Rule 7.1.

Listing Rule 7.1 provides that a listed company must not, subject to certain exceptions, issue during any 12 month period any equity securities, if the number of those securities exceeds 15% of the total number of equity securities on issue at the commencement of that 12 month period (**Placement Capacity**). An issue of equity securities, which has been approved by shareholders under Listing Rule 7.1, does not count toward a Company's Placement Capacity.

Listing Rule 7.4 provides that an issue under Listing Rule 7.1 is treated as having been made with shareholder approval if the issue did not breach Listing Rule 7.1 and shareholders of the company subsequently approve it.

The Company now seeks shareholder approval under Listing Rule 7.4 to ratify the issue of the Placement Shares, in order to reinstate the Company's Placement Capacity.

If the resolution is passed, the Placement Shares will not count towards the Company's Placement Capacity, effectively increasing the number of equity securities it can issue without shareholder approval, which will provide the Company flexibility to issue equity securities in the future without obtaining shareholder approval, as required

If the resolution is not passed, the Placement Shares will count towards the Company's Placement Capacity, effectively decreasing the number of equity securities it can issue without shareholder approval, which will impact on the Company's flexibility for future capital raisings.

#### **Additional information required by the ASX listing rules**

- (a) Existing institutional shareholders and other institutional investors were invited to participate in the equity raising. Institutional shareholders had pro-rata rights to participate in the entitlement offer and were able to bid for additional shares. Entitlements not taken up by institutional shareholders and additional placement shares were offered in a bookbuild. The Company determined placement allocations based on a range of factors, including existing shareholding, support of the Company's strategy, and level of demand in the offer
- (b) 25,977,466 fully paid ordinary shares in the Company were issued under the Placement.
- (c) The Placement Shares were issued on 5 May 2021 at \$1.60 per share.
- (d) The purpose of the issue, including the use and intended use of funds, is set out above.

#### **Recommendation**

The Board recommends that shareholders vote **in favour** of this resolution.

### 7 Renewal of Proportional Takeover Bids provision

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The Corporations Act permits a company's constitution to include a provision that enables it to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by shareholders to approve the bid. The proportional takeover provision is in the Company's Constitution adopted on 18 October 2019. As provided in rule 6 of the Constitution, the existing proportional takeover provision will cease to have effect three years after the date of its adoption, being 18 October 2022.

The Company's Annual General Meeting (**AGM**) is usually held in late October or early November, and as a result the proportional takeover provision would expire on 18 October 2022. The time gap between the provision expiring and the date of AGM could allow an opportunistic bidder to attempt to make a bid to shareholders. Accordingly, the Board has taken a prudent decision to seek shareholder approval to renew the proportional takeover provision at the AGM this year rather than let the provision expire before the 2022 AGM.

If renewed, the proposed proportional takeover provision will be in exactly the same terms as the existing provisions in rule 6 of the Company's Constitution. The Board considers it is in the interests of shareholders to renew the existing proportional takeover provision for the maximum period permitted by law, being a further three years from the date of this meeting. Accordingly, if this resolution is approved, the proportional takeover provision will only apply until 29 October 2024 unless renewed by shareholders prior to that date.

#### ***Proportional Takeover Bid***

A proportional takeover bid is an off-market takeover bid that is made to all shareholders for the acquisition of their shares, however, the offer made to each shareholder is only for a specified proportion of their shares (i.e. less than 100%). Accordingly, if a shareholder accepts in full the offer under a proportional takeover bid, the shareholder will dispose of the specified portion of the shareholder's shares and retain the balance of the shares in the Company.

#### ***Effect of a Proportional Takeover Bid Provision***

If rule 6 is renewed and a proportional takeover bid is made, the Board must convene a general meeting of the shareholders entitled to vote on the resolution to approve the proportional takeover bid. To be effective, the resolution must be voted on at least 14 days before the last day of the bid period.

Each shareholder has one vote for each fully paid share held. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote.

If the resolution to approve the bid is not passed, no transfers of shares will be registered as a result of the takeover bid and the offer will be taken to have been withdrawn. Any documents sent to the bidder accepting the offer and any contracts formed by any acceptances will be rescinded.

If the resolution to approve the bid is not voted on at least 14 days before the last day of the bid period, the bid is taken to have been approved.

If the resolution to approve the bid is approved (or taken to have been approved) all valid transfers of shares must be registered provided they in order for registration and comply with the Corporations Act and any relevant provisions of the Company's Constitution.

A proportional takeover bid provision does not apply to full takeover bids.

## Explanatory Memorandum

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### ***Reasons for proposing the resolution***

The Board considers that shareholders should have the opportunity to vote on any proposed proportional takeover bid. Without the proposed proportional takeover provision, a proportional takeover bid for the Company might enable a bidder to obtain control of the Company without the shareholders having the opportunity to sell all of their shares to the bidder. Shareholders may be exposed to the risk of being left as a minority shareholder in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for all of their shares.

The proposed renewal of the existing proportional takeover provision lessens this risk because it allows shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

### ***Knowledge of any proposed acquisitions***

At the date of which this Notice of Meeting was prepared, the Directors are not aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### ***Potential advantages and disadvantages of the proportional takeover provision***

The renewal of the proportional takeover provisions will allow directors to ascertain shareholders' views on a proportional takeover bid. Otherwise, the directors of the Company consider that the proposed renewal of the proportional takeover provisions has no potential advantages or disadvantages for directors.

The potential advantages for shareholders of the proposed renewal of the proportional takeover provisions are as follows:

- it allows Directors to ascertain the views of shareholders on any proportional takeover bid and make a recommendation to shareholders as to whether an offer should be accepted;
- shareholders would have the right to consider a proportional takeover bid proposal and decide by majority vote on whether it should be accepted. It is likely to cause an intending bidder to structure its offer to be attractive to a majority of shareholders. It may also discourage a potential opportunistic proportional takeover bid;
- it may help shareholders to avoid being locked in as a minority shareholder and avoid the bidder acquiring control of the Company without paying an adequate control premium (i.e. not being required to pay for all of the shares on issue but still gaining control of the Company);
- it increases shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- knowing the majority of shareholders' views may help each shareholder form an opinion on whether to accept or reject an offer under the bid.

The potential disadvantages for shareholders of the proposed renewal of the proportional takeover provisions are as follows:

- it may be perceived by some shareholders that the provision reduces the likelihood of a proportional takeover bid being successful. Therefore, the chances of receiving an opportunity to dispose of part of their shares would be reduced;
- some shareholders may consider the provision to be an additional restriction on the ability of individual shareholders to deal freely with their shares; and
- proportional takeover bids from potential bidders for the Company's shares may be discouraged.

## Explanatory Memorandum

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The Directors do not consider the potential disadvantages as justification for not approving the renewal of the proportional takeover provision for a further three years. The Directors consider the potential advantages outweigh the potential disadvantages.

### **Recommendation**

The Board recommends that shareholders vote **in favour** of this resolution.